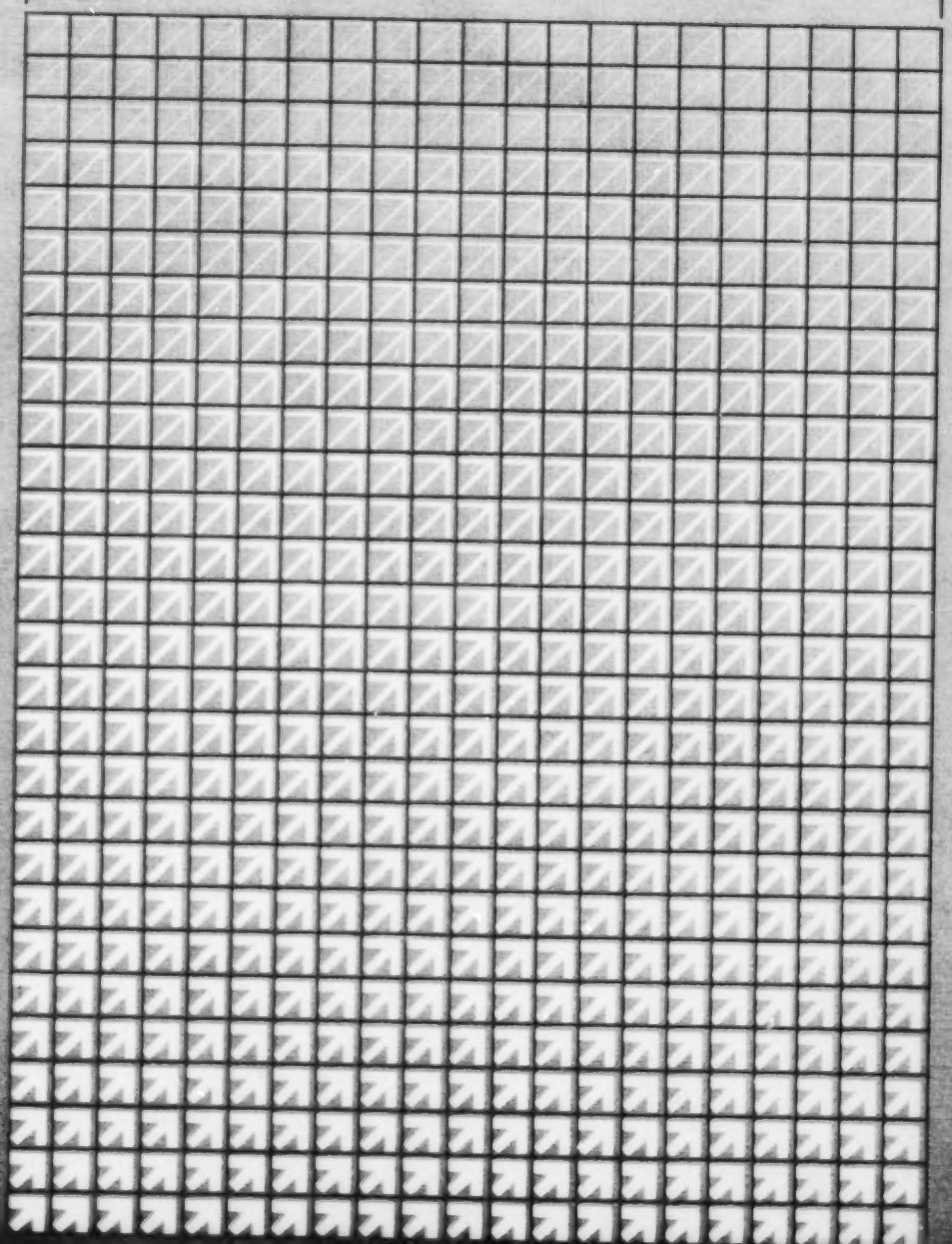
Small Business Development Corporation

Annual Report

For the year ended March 31, 1991



Department of Small Business Development

Chairman's Report

Small Business
Development Corportion

Nova Scotia

Department of
Small Business
Development

Small Business
Development Corporation

5th Floor
Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia
Canada B3J 3J9

902 424 4920
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Our file no.

November 15, 1991

The Honourable Tom McInnis
Minister of Small Business Development
Province of Nova Scotia
Halifax, Nova Scotia

Dear Mr. Minister:

I am pleased to present, on behalf of the Board of Directors of the Small Business Development Corporation, our Audited Financial Statements for the fiscal year ended March 31, 1991.

During the year, the Board together with the Regional Boards approved financing for 119 projects totalling $14.1 million in Small Business Development Corporation assistance to various small businesses throughout the Province. These projects involved a total capital investment of $24.6 million of which a significant portion was directed towards strengthening existing operations during these difficult economic times.

I wish to record my appreciation to the Executive Committee members, Regional Board Chairmen, the Directors, Officers and Staff of the Corporation for their dedication and support during the year.

Respectfully submitted,

Robert P. Dexter
Chairman

92-05988/

Board of Directors

Small Business
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"There is hereby established a body corporate to be known as the Small Business Development Corporation. The Corporation may, subject to the regulations, render to small business financial assistance, or such other assistance as may be determined by the regulations, which in the opinion of the Board will encourage, sustain, improve or develop small business in the Province." (Small Business Development Act)

The Small Business Development Corporation reports to the Legislature through:

The Minister of Department of Small Business Development
The Hon. Tom McInnis
Province of Nova Scotia

Board

*Robert P. Dexter, Chairman
Frank Bettens
Edward B. Chase
*Margaret Godfrey
Charles Layton
*Kenneth Mader
*Garnet McDade
*J. Patrick O'Neil
Len Perry
D. Roy Publicover
Darrell Rushton
Donald Tingley
*Dr. Joseph Zatzman

*Also members of Executive Committee

Administration

Doug Giannou	**Executive Director**
Harold W. Clarke	**Director — Provincial Lending**
Dennis G. Holland	**Director — Regional Lending**
Margaret Howie	**Legal Counsel**

Department of
Small Business
Development
Province of Nova Scotia

Board of Directors — Regional Boards

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Regional Boards

EASTERN REGIONAL BOARD

Frank Bettens, CHAIRMAN

Sue Forrester	Sharon Salter
Cameron MacQuarrie	Chris Topp
Daniel Macauley	Norman MacLean
Robert Munroe	Jim Johnson
Herman Samson	Will Wong

WESTERN REGIONAL BOARD

Edward B. Chase, CHAIRMAN

Frank Anderson	Charles MacKenzie
Brian W. Cummings	Paul LeBlanc
Christopher Corkum	Joyce Saunders
Gloria Hutchinson	Freda Stephens
Elaine Surette	Victor MacKay

CENTRAL REGIONAL BOARD

D. Roy Publicover, CHAIRMAN

Ora P. Harkins	Harold Norve
Frank D. Elliott	Morton Kelly
Earl Macintosh	Peter Johnstone
Douglas Mullenger	Ann Wren
Ross Christie	Vern Paul

Auditors Report

Small Business
Development Fund

Nova Scotia

Auditor General

PO Box 793
Halifax, Nova Scotia
B3J 2V2

AUDITOR'S REPORT

To the Minister of Small Business Development; and

To the Chairman and Members of the Board of Directors
of the Small Business Development Corporation

I have audited the balance sheet of the Small Business Development Corporation as at March 31, 1991, and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 1991 and the continuity of fund for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

O.P. Cormier, F.C.A.
Auditor General

Halifax, Nova Scotia
May 13, 1991

Small Business
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**Department of
Small Business
Development**
Province of Nova Scotia

Balance Sheet

As at March 31, 1991

Small Business Development Fund

Assets

	1991	1990
Loans Receivable (Note 3)	$21,977,560	$19,474,023
Industrial Parks (Note 4)	22,973,376	22,142,462
	$44,950,936	**$41,616,485**
Due from Consolidated Fund		
Loans authorized but unadvanced	3,782,546	1,183,950
Guarantees (Note 5)	4,140,667	2,101,091
Free balance	11,057,173	5,815,547
	18,980,386	9,100,588
	$63,931,322	**$50,717,073**

Fund Balance

Small Business Development Fund	$71,144,519	$53,934,286
Less: Allowance for doubtful accounts and guarantees likely to be honoured	7,213,197	3,217,213
	$63,931,322	**$50,717,073**
Contingency (Note 6)		

APPROVED

Small Business Development Corportion

Minister of Small Business Development

Department of Small Business Development
Province of Nova Scotia

Chairman of the Board

Statement of Continuity of Fund

For the year ended March 31, 1991

Small Business Development Fund

	1991	1990
Balance, beginning of year	$53,934,286	$32,448,318
Add: Amounts transferred from Industrial Estates Limited	—	22,142,462
Additional funds authorized by Order-in-Council	18,000,000	—
	71,934,286	54,590,780
Deduct: Accounts written off	739,507	656,494
Amounts transferred to the Nova Scotia Business Capital Corportion	50,260	—
Balance, end of year	$71,144,519	$53,934,286
Comprising:		
Loans advanced and guarantees in effect	$32,506,266	$23,414,266
Industrial parks	$22,973,376	22,142,462
Loans authorized but unadvanced and guarantees not in effect	4,607,704	2,562,011
Free balance	11,057,173	5,815,547
	$71,144,519	$53,934,286

Small Business Development Corportion

Department of Small Business Development
Province of Nova Scotia

Notes to Financial Statements

Small Business Development Fund

1. Authority

The Small Business Development Fund was established pursuant to the Small Business Development Act. The purpose of the Fund is to finance the activities of the Small Business Development Corporation.

The objective of the Corporation is to promote the economic well-being of the Province by rendering financial assistance to small business.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies:

Administrative expenses, interest revenue and expense

Administrative expenses of the Corporation, and the differential between capital advance interest charges from the Department of Finance and the interest revenues earned on loans, are included in the expenditures of the Department of Small Business Development.

These amounts are not reflected in the attached financial statements, nor is accrued loan interest receivable.

Industrial parks

Industrial parks lands are carried at cost of acquisition plus cost of improvements, less proceeds of disposals.

The buildings in the parks are carried at the net book value at the time of transfer of those assets from Industrial Estates Limited to the Corporation. No depreciation was charged on buildings in the current year.

Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Small Business Development, and are not reflected in these financial statements.

Notes to Financial Statements

3. Loans Receivable

	1991	1990
Loans receivable	$25,584,267	$20,276,913
Foreclosed assets and properties held for sale	1,694,294	1,242,121
Deficiency balances	787,863	788,043
	28,066,424	22,307,077
Less: Allowance for doubtful accounts	6,088,864	2,833,054
	$21,977,560	$19,474,023

Small Business Development Fund

4. Industrial Parks

Order-in-Council 90-225 authorized the transfer form Industrial Estates Limited to the Corporation, effective March 30, 1990, of the net book value of the industrial parks. These parks consist of land in various stages of development from unimproved to fully developed and serviced lots. The parks also include some buildings, which are mainly used as incubator malls.

No provision has been made to reflect on an individual park by park basis the difference between the carrying cost and fair market value. As at March 31, 1991, the cost of parks in excess of management's determination of market value totalled $6,397,375 (market value — $2,986,120). The cost of parks where market value exceeded cost was $10,795,887 (market value — $15,697,650). This results in an estimated net excess of current market value over carrying costs of approximately $1,490,508.

The balance of the cost of industrial parks of $5,780,114 is represented by the book value at March 31, 1991 of the incubator malls, other buildings and property.

5. Guarantees

	1991	1990
Guarantees in effect	$4,439,842	$ 1,107,189
Guarantees not in effect	825,158	1,378,061
	5,265,000	2,485,250
Less: Allowance for guarantees likely to be honoured	1,124,333	384,159
	$ 4,140,667	$ 2,101,091

6. Contingency

There is a claim of approximately $550,000 under the Mechanics Lien Act on a lot in the Windsor Industrial Park. The outcome of this claim is yet to be determined.

Small Business
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Authorization by Industry Sector		%	1991 Amount	%	1990 Amount
Manufacturing	Metal Fabrication & Machinery	13	$1,834,000	7	$505,000
	Wood, Plastic & Concrete	16	2,265,000	6	461,400
	Textiles	1	127,000	6	435,000
	Food Processing	22	3,135,800	11	839,250
	Electronics	1	160,000	—	15,000
	Marine Related	6	871,500	1	55,000
	Printing & Related	3	386,500	2	135,000
	Miscellaneous	2	285,000	2	135,500
	Sub Total	**64**	**$9,064,800**	**35**	**$2,581,150**
Services	Motels, Restaurants and Tourism-related	8	$1,177,000	15	$1,125,400
	Transportation	3	435,000	5	378,500
	Leisure and Recreation	6	916,000	—	—
	Business and Personal	4	627,400	13	958,500
	Agriculture and Forestry	2	243,000	5	332,000
	Construction	8	1,092,000	8	600,500
	Miscellaneous	1	76,250	2	111,000
	Sub-total	**32**	**$4,566,650**	**48**	**$3,505,900**
Trade	Retail & Wholesale Sub-total	**4**	**$499,000**	**17**	**$1,287,100**
Total Authorizations		**100**	**$14,130,450**	**100**	**$7,374,150**

Small Business
Development Corportion

Applications and Authorizations		#	1991 Amount	#	1990 Amount
Total Applications Processed		189	$26,037,648	167	$12,546,252
	Average Amount		$137,765		$75,127
	Applications Authorized	119	$14,130,450	101	$7,374,150
	% of Total	63%	54%	60%	59%
	Applications Declined	37	$8,329,940	30	$2,258,361
	% of Total	20%	32%	18%	18%
	Applications Withdrawn	33	$3,577,258	36	$2,913,741
	% of Total	17%	14%	22%	23%

Purpose of Authorizations	%	Amount	%	Amount
To Establish a New Business	12	$1,695,500	24	$1,748,550
To Expand an Existing Business	67	$9,469,950	72	$5,336,600
Other Miscellaneous Purposes (incl. working capital)	21	$2,965,000	4	$289,000

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Distribution of Authorization by Size		1991 #	1991 %	1990 #	1990 %
$0 to	$50,000	48	40	59	59
$50,000 to	$250,000	62	52	42	41
Over	$250,000	9	8	0	0
	Total	**119**	**100**	**101**	**100**

Distribution of Authorizations by Project and Source		%	Amount	%	Amount
Project Cost	Land and Buildings	22	$5,401,549	47	$7,102,474
	Machinery and Equipment	18	4,383,516	25	3,812,445
	Working Capital	60	14,819,278	25	3,790,635
	Miscellaneous	—	26,500	3	376,246
	Total	**100**	**$24,630,843**	**100**	**$15,081,800**
Financing	SBDC Loans	38	9,390,450	38	5,786,400
	SBDC Guarantees	19	4,740,000	11	1,587,750
	New Equity Investment	8	1,898,084	12	1,840,946
	Govt. Grants	8	2,016,536	15	2,188,949
	Other Lenders	23	5,723,232	22	3,367,000
	Working Capital	4	862,541	2	310,755
	Total	**100**	**$24,630,843**	**100**	**$15,081,800**

Small Business
Development Corportion

Head Office

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IN CO-OPERATION WITH

Nova Scotia Department of Small Business Development
Small Business Service Centres

Cape Breton	563-2070 Facsimile: 563-0500	1st Floor, Commerce Tower, 15 Dorchester St., **Sydney**, B1P 5Y9
Strait of Canso	625-3200 Facsimile: 625-3069	302 Philpott St., P.O. Box 219, **Port Hawkesbury**, B0E 2V0
Northeastern	893-1595 Facsimile: 893-1334	640 Prince St., **Truro** B2N 1G4
	755-7040	115 MacLean St., P.O. Box 1021 **New Glasgow**, B2H 5N8
	667-3223	Amherst Industrial Park, P.O. Box 458 **Amherst**, B4H 4A1
Central	424-5690 Facsimile: 424-0507	Suite 950, Metropolitan Place, 99 Wyse Road, **Dartmouth**, B3A 4S5
Valley	679-6116 Facsimile: 679-6094	Annapolis Valley Industrial Park Mall P.O. Box 524, **Kentville**, B4N 3X3
Southwestern	742-8404 Facsimile: 742-0019	13 First Street, **Yarmouth**, B5A 1S9
	543-0515	Provincial Bldg., 99 High St., **Bridgewater**, B4V 1V8

Department of
Small Business
Development
Province of Nova Scotia